Surviving the Mortgage Meltdown

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1:30 – 3:00

Presenters:
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Agenda

1. Current Market Updates
2. Mortgage Programs Available Today
    1. VA
    2. FHA
    3. Conventional
3. Mortgage Scenarios
4. Home Retention Efforts
    - New Laws Enacted
5. Q&A

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Current Housing Market

- Declining values – Distressed Markets (14% in Q1 ’09)
- Longer Sales Cycles
  - Fewer buyout offers
  - Duplicate housing payments / affordability
- Down Payment Requirements
  - Few $0 down payment programs left
- Tougher underwriting
  - Minimum Credit Scores Increasing
  - PMI Underwriting
  - More Documentation
- Increasing number of Foreclosures
  - Up steadily from ’07
- Jumbo Loan Market

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Current Housing Market

- Lenders more willing to work out plans
  - Avoiding foreclosure
- ARM's adjusting, payments increasing
  - Slowing due to refinancing and work out programs
- Exit of 'exotic' loan programs
  - Interest Only
  - Negative Amortization
  - Stated Income
- Rumors of recession or market recovery??

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Home Buyers and Sellers are cautious…

What programs are still available??

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Programs Available

- VA (improved and enhanced)
- FHA (improved and enhanced)
- Conventional

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VA Loan

- Increased loan limits
- Jumbo loans more attractive
- One of few “0” down payment programs
- IRRRL

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Features and Benefits of VA Mortgage

- Zero or low down payment options
- No PMI
- No minimum credit score (up to $700k)
- Funding fee may be financed (waived in certain cases)
- Up to 4% sales concession allowed
- Attractive rates
- Assumable
- Fixed or Adjustable Rates
- Can be used multiple times

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FHA Loan Programs

- Increased loan limits
- Low down payment – 3.5%
- Attractive rates and closing costs
- Flexible Credit Standards
- Great for first time and repeat homebuyers
- No income restrictions
- Fully Assumable Loans – build in financing for the future
- Up to 6% seller concessions

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Conventional Loan Programs

- Fix 15, 20, 30
- ARM
- Portfolio lenders
- Blended - 80/15/5
- Home Possible (Freddie Mac)
- My Community (Fannie Mae)

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Mortgage Scenarios

Max Financing Comparisons
$180,000 Sales Price

	95%	100% VA	96.50% FHA
Rate	4.75%	4.875%	4.875%
PI + PMI	$1,133	$984	$1,015
C2C	$11,475	$2,165	$8,925

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Mortgage Scenarios

90% LTV Comparisons

$180,000 Sales Price

	90% Conv	90% VA	90% FHA
Rate	4.75%	4.875%	4.875%
PI+PMI	$998	$868	$940
C2C	$20,385	$19,985	$20,510

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Mortgage Scenario

High Balance Comparisons
$700,000 Sales Price

	75% Conv	89.89% VA	96.50% FHA
Rate	6.125%	5.25%	NA
PI + PMI	$3,190	$3,590	$0
C2C	$181,015	$77,410	$0

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Other Mortgage Assistance Programs

- Bond Programs
  - Texas Vet
  - Cal Vet
  - Oregon
  - Wisconsin
  - Alaska
  - Over 1200 bond programs nationally
- Down Payment Assistance programs

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Current Homeowners are worried...

What are the options for my current home situation???

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Servicing

- Servicemembers Credit Relief Act
- VA Regional Loan Centers
- Contact your current lender ASAP!
- Hope Now & others

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National Home Retention Efforts

Working with the U.S. Treasury, the Department of Housing and Urban Development and others, lenders have led the development of programs that delivered nearly 3.2 million solutions to customers industry-wide to avert foreclosure. (July 2007 to Dec. 2008)

HOPE NOW ALLIANCE **Integrates servicers, non-profit counselors and investors to foster an environment that promotes creative solutions to help consumers keep their homes; aggregates and reports results for servicers involved in effort.**

PROJECT LIFELINE **Targets outreach to customers 90+ days late. Offers up to a 30-day pause on foreclosure while other solutions are explored.**

HOPE FOR HOMEOWNERS **A provision of the Housing and Economic Recovery Act of 2008, it is a refinance program for distressed borrowers. If eligible – and if lender agrees – borrower may qualify for a partial write-down of their mortgage debt and a new 30-year fixed-rate loan for up to 90% of current appraised value.**

STREAMLINED MODIFICATION PROGRAM **A fast-paced approach to modify mortgage payments by exploring a combination of measures.**

TECHNOLOGY IMPROVEMENTS **Software that facilitates servicer and non-profit counselor discussions about distressed customer solutions and enables them to track where the customer is in the solution process.**

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Options To Avoid Foreclosure

Preventing foreclosures is in the best interest of our customers, communities and economy. Lenders are more willing to work with customers than ever!

- Refinance existing — **New loan on the property with no change in ownership to pay off the loan.**
- Repayment Plan than — **Distribute delinquent payments over a period of time, usually no more 12 months. Monthly amount added to usual mortgage payment.**
- Modification rate — **Changes one or more terms of the mortgage including term extensions, adjustments and/or principal forgiveness, where allowed.**
- Partial Claim — **HUD advances a loan to repay the past-due interest and escrow amounts.**
- Short Sale if — **Enables customer to sell home and use proceeds to pay mortgage – even total proceeds are less than amount owed on the mortgage.**
- Deed In Lieu — **Allows customer to transfer property to the Mortgage Company, as a servicer, if customer cannot sell home at market value.**
- Forbearance Because of — **Partial or full suspension of monthly payment for a period of time. long-term implications, used in severe hardship cases.**

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Options Detail

Retaining Options:	How it Works:	Additional Information:	Comments:
Regular Scheduled Payments	Customer would continue to make their scheduled monthly payment.	Standard practice for customers who can continue to make their payments in a timely manner.	Payments received in a timely manner do not have adverse credit impacts.
Promise to Pay	Customer promises to make the payment prior to becoming 30 days late.	Option for customer is experiencing short term affordability issues	Stops outbound collections calls through the date of promise.
Repayment Plan	Distribute delinquent payments over a period of time.	Option for when the customer anticipates short term affordability difficulties.	Outbound Collection calls may continue. CBR reporting and late fees are not stopped.
Loan Modification	The original terms of the loan are modified. The modification typically adds past due amounts to the unpaid principal balance, which is then reamortized. Rate adjustments and principal forgiveness, where allowed.	The loan must meet certain criteria to qualify for a modification.	Loan is brought current Loan modification does not impact the customer's credit. However, it does not stop negative reporting if the loan was delinquent prior to the loan modification.
Partial Claim (FHA Loans Only)	HUD advances a loan to repay the past due interest and escrow.	The HUD loan is interest-free and will bring the loan current	Customer typically has to repay this loan when the mortgage is pays in full.
Refinance	Customer pays off the debt of the loan by making another loan, on the same property, under new loan terms	Amount and Terms of the new loan will vary from the previous loan.	Refinancing does not impact the customer's credit. However, it does not repair prior reported delinquency on the previous loan, if applicable.

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Options Detail

Liquidation Options:	How it Works:	Additional Information	Comments
Short Sale	Customer sells the home and uses the proceeds to pay the mortgage – even if the proceeds are not enough to pay the loan in full.	This is done when the mortgagor does not have the financial ability to retain the property. Short Sales reduce the length of foreclosure and prevents a foreclosure sale. The difference between the sale and amount needed to satisfy the debt is sometimes referred to as the 'forgiven' debt. Short Sales are reported on the customer's Credit Bureau Report (CBR) as 'paid in full – settlement'.	Customer may receive a 1099 for the amount of debt that is 'forgiven'.
Deed in Lieu of Foreclosure	Customer voluntarily transfers the property to the lender.	A Deed in Lieu is generally less damaging than foreclosure in their ability to obtain credit in the future. Reduces the length of foreclosure and prevents a foreclosure sale. Deeds in Lieu's are reported on the customer's Credit Bureau Report (CBR) as 'paid in full – settlement'.	Customer receives a 1099 for the amount of debt that is 'forgiven'.
Foreclosure	Legal process for a lender to take back a property when the borrower has failed to repay the debt. Once the property has been recovered, the lender can attempt to resell the home to re-coop some of the outstanding balance and fees.	Foreclosures can be costly and time consuming for both the borrower and the lender.	Foreclosure may significantly impact the customer's ability to obtain credit in the future.

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Home Affordable Refinance Program (HARP)

- Originally announced by the President as the *Homeowner Affordability and Stability Plan* on Feb. 17, *Making Home Affordable* is designed to help borrowers in two ways:

- *Home Affordable Modification Program* (HAMP)
  - For customers who are currently delinquent or struggling to keep current on their mortgage.
  - Guidelines allow eligible customers who have experienced a financial hardship – and are in default on their loan or facing an imminent default – the opportunity to explore a restructure of their loan terms.

- *Home Affordable Refinance Program* (HARP)
  - For customers who are current on their mortgage and whose mortgage is owned by Fannie Mae or Freddie Mac
  - Guidelines allow a maximum loan to value of up to 105%, allowing customers an opportunity to take advantage of today's lower interest rates even if their home value has declined to a point that may make them ineligible for a standard refinance.
  - This program is currently being offered to our customers whose loans are owned by specific investors (Fannie Mae or Freddie Mac are included)

Home Retention Assistance Options

- Consumers struggling with their mortgage payments can get free help by contacting:
  - Their servicer directly using the phone number on their mortgage statement.
  - HOPE NOW via 888-995-HOPE.
  - A qualified loss mitigation firm (to obtain a reference from a HUD-approved housing counselor call 800-569-4287 or for the hearing impaired 800-877-8339).

Due to the availability of resources through the HOPE NOW Alliance and other not-for-profit counseling agencies, borrowers are encouraged to avoid paying a third-party company to assist with a workout with their servicer.

- *Loss mitigation firms help consumers "avoid foreclosure."*
- *A loss mitigation firm typically provides a free consultation to assess your situation, and then asks for a deposit before working on your case.*
- *Their fees are usually combined with the workout agreement with the mortgage companies.*

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Other Options In Relocation

- HAP
  - Existing Program
    - **How HAP assists you**

    HAP provides assistance in four ways. For eligible applicants, the Government may:
      - » Reimburse you for part of your loss from selling your home.
      - » Assist you, if you don't have funds from the sale of your home to pay-off your mortgage.
      - » Purchase your home by paying off the mortgage.
      - » Help, if you default on your mortgage.
  - New Enhancements (2009)

- Assistance covering Relo expenses during move
  - Help cover other costs while trying to sell home and move
  - Compliment to expense reimbursement (final reconciliation still needs to happen)
    - Relocation Card (debit or credit card)
    - Direct Bill
    - Advance funds

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What's still 'HOT'

- First Time Home Buyers
  - Homebuyer Tax Credit ($8,000)
- Interest Rates Are Low
- Buying REO and Foreclosed Properties
- 2nd Home and Investment Home Purchases
- Buyers Market

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Resources and Tools

- Home Buying Seminars or Webinars
  - Utilize trusted resources with Military expertise and programs
  - Military Home Tour concept – 1 day fair
    - Realtors (bring listings and show houses)
    - Lenders (pre-approvals, counseling)
    - Builders
    - Military OneSource
    - DAP Programs
- Relocation Fairs (additional discussions around policy, reimbursement, etc)
- Home Buying & Educational Materials
  - Guides
  - Websites
    - www.VA.gov
    - www.HUD.gov
    - www.militaryonesource.com
    - www.military.com
    - www.hopenow.com
    - http://hap.usace.army.mil/ (HAP program)
- Reference lists for realtors, lenders, builders, inspectors, etc.
    - Don’t leave them stranded!
    - You’ve given them the education and tools, help with the final step

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Q&A

Thank You!

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